

111TH CONGRESS  
1ST SESSION

# S. 1007

To amend the Internal Revenue Code of 1986 to deny a deduction for excessive compensation of any employee of an employer.

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IN THE SENATE OF THE UNITED STATES

MAY 7, 2009

Mr. DURBIN introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## A BILL

To amend the Internal Revenue Code of 1986 to deny a deduction for excessive compensation of any employee of an employer.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Excessive Pay Capped  
5       Deduction Act of 2009”.

6       **SEC. 2. DENIAL OF DEDUCTION FOR PAYMENTS OF EXCES-**  
7       **SIVE COMPENSATION.**

8       (a) IN GENERAL.—Section 162 of the Internal Rev-  
9       enue Code of 1986 is amended by inserting after sub-  
10      section (h) the following new subsection:

1 “(i) EXCESSIVE COMPENSATION.—

2 “(1) IN GENERAL.—No deduction shall be al-  
3 lowed under this chapter for any excessive com-  
4 pensation for any employee of the taxpayer.

5 “(2) EXCESSIVE COMPENSATION.—For pur-  
6 poses of this subsection, the term ‘excessive com-  
7 pensation’ means, with respect to any employee, the  
8 amount by which the compensation for services per-  
9 formed by such employee during the taxable year ex-  
10 ceeds the amount which is equal to 100 times the  
11 amount of the average compensation for services  
12 performed by all employees of the taxpayer during  
13 the taxable year.

14 “(3) OTHER DEFINITIONS AND SPECIAL  
15 RULES.—

16 “(A) COMPENSATION.—

17 “(i) IN GENERAL.—For purposes of  
18 this subsection, the term ‘compensation’  
19 includes wages, salary, fees, commissions,  
20 fringe benefits, deferred compensation, re-  
21 tirement contributions, options, bonuses,  
22 property, and any other form of remunera-  
23 tion that the Secretary determines is ap-  
24 propriate.

1                   “(ii) PART-TIME AND PART-YEAR EM-  
2                   PLOYEES.—In the case of any employee  
3                   which is a part-time employee of the tax-  
4                   payer or which is not employed by the tax-  
5                   payer for a full taxable year, the com-  
6                   pensation of such employee shall be cal-  
7                   culated for purposes of this subparagraph  
8                   on an annualized basis.

9                   “(B) EMPLOYER.—All persons treated as a  
10                  single employer under subsection (a) or (b) of  
11                  section 52 or subsection (m) or (o) of section  
12                  414 shall be treated as a single taxpayer for  
13                  purposes of this subsection.

14               “(4) REPORTING.—Each employer that pro-  
15               vides any excessive compensation to any employee  
16               during a taxable year shall file a report with the  
17               Secretary with respect to such taxable year includ-  
18               ing—

19                   “(A) the amount of compensation of the  
20                   employee of the taxpayer receiving the lowest  
21                   amount of compensation during such taxable  
22                   year,

23                   “(B) the amount of compensation of the  
24                   employee of the taxpayer receiving the highest

1 amount of compensation during such taxable  
2 year,

3 “(C) the average compensation of all em-  
4 ployees of the taxpayer during such taxable  
5 year,

6 “(D) the number of employees of the tax-  
7 payer who are receiving compensation that is  
8 more than 100 times the average compensation  
9 of all employees of the taxpayer during such  
10 taxable year, and

11 “(E) the amounts of compensation of the  
12 employees described in subparagraph (D) dur-  
13 ing such taxable year.

14 Such report shall be filed at such time and in such  
15 manner as the Secretary may require.”.

16 (b) EFFECTIVE DATE.—The amendment made by  
17 this section shall apply to taxable years beginning after  
18 the date of the enactment of this Act.

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